

Message Text

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ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 EB-07 COME-00 TRSE-00 CIAE-00

INR-07 NSAE-00 OMB-01 AID-05 OPIC-03 XMB-02 AGR-05

/049 W

----- 022801

R 241319Z DEC 75

FM AMEMBASSY BUJUMBURA

TO AMEMBASSY BRUSSELS

INFO SECSTATE WASHDC 5141

AMEMBASSY PARIS

C O N F I D E N T I A L BUJUMBURA 0895

E.O. 11652: GDS

TAGS: EFIN, EINV, BY, BE

SUBJECT: PROPOSED DOLS 15 MILLION LOAN TO BURUNDI

REF BRUSSELS 11330

1. THE EMBASSY HAS UNCOVERED SOME INFORMATION CONCERNING PROJECTS MENTIONED REFTEL, NONE OF WHICH FULLY EXPLAINS HOW DOLS 15 MILLION LOAN AND PROJECTS ARE TIED TOGETHER.

2. EMBOFFS WERE ABLE TO OBTAIN COPIES OF ACCORDS FOR FEASIBILITY SUTDIES FOR THREE PROJECTS SIGNED BETWEEN THE GEB AND WILLERMANS REPRESENTING THE EUROPEAN INVESTMENT CORPORATION (EIC). THE TOTAL CONTRACT COSTS OF THESE PROJECTS COMES OUT ABOUT DOLS 134,000, SO ONE WOULD ASSUME THAT DOLS 15 MILLION LOAL WOULD BE USED EVENTUALLY TO FINDNCE THESE PROJECTS. HOWEVER, NONE OF THESE PROJECTS RESEMBLES THOSE MENTIONED REFTEL.

3. THE GRB-EIC ACCORDS WERE SIGNED FOR CONDUCTING FEASIBILITY STUDIES FOR THE THREE FOLLOWING PROJECTS: A 100 UNIT VACATION VILLAGE PROBABLY ON THE NORTHERN SHORE OF LAKE TANGANIKA NEAR BUJUMBURA; (SUTCY COSTS ESTIMATED AT ABOUT DOLS 51,000 WITH THE EIC AGREEING TO PAY FOR STUDY
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COSTS OVERRUNS UP TO DOLS 51,000); (W) MEAT PRODUCTION

AND PROCESSING FACILITIES, STUDIES FOR WHICH WOULD COST ABOUT DOLS 25,000 (LOCAL BELGIAN SOURCES BELIEVE THIS PROJECT WOULD BE EARMARKED FOR SUPPLYING MEAT TO BUJUMBURA'S 150 ROOM INTERNATIONAL HOTEL CURRENTLY BEING BUILT AND FINANCED BY AN ITALIAN GROUP); AND (3) A HOUSING CONSTRUCTION PROJECT (PROBABLY FOR BUJUMBURA) COSTING ABOUT DOLS 7,000.

4. NONE OF THESE PROJECTS CORRESPOND TO THOSE MENTIONED REFTEL FOR AGRO-INDUSTRIAL ENDEAVORS SUCH AS SUGAR, COFFEE AND TEA. IN FACT, TEA AND COFFEE HAVE BEEN ALREADY WELL TAKEN CARE OF BY THE FED (TEA) AND THE IMF (COFFEE). ALTHOUGH SUGAR WOULD BE A LIKELY CANDIDATE FOR FINANCING WORTH ABOUT DOLS 15 MILLION, NO ONE CONTACTED SO FAR HAS HAD ANY KNOWLEDGE OF CONCLUSIVE GRB NEGOTIATIONS FOR FINANCING IN THIS FIELD, ALTHOUGH THE GRB HAS APPROACHED BELGIANS, GERMANS, WORLD BANK, AND POSSIBLY THE ARABS FOR DEVELOPING SUGAR CANE PLANTATION AND SUGAR FACTORY. BELGIANS AND GERMANS HAVE EXPRESSED CONSIDERABLE INTEREST IN FINANCING SUGAR FACTORY PORTION.

5. THE ONLY OTHER CONNECTION EMBOFFS HAVE BEEN ABLE TO ESTABLISH BETWEEN THE DOLS 15 MILLION LOAN AND THE PROJECTS MENTIONED REFTEL IS THE BELIEF EXPRESSED BY HEAD OF GERMAN PLANNING TEAM ATTACHED TO PRESIDENCY THAT BOTH PROJECTS REFTEL AND ACCORDS JUST SIGNED ARE PROBABLY ALL PART OF A RECENT GRB SHOPPING LIST. HE EXPLAINED THAT DURING THE IMF/IBRD MEETING IN WASHINGTON IN SEPTEMBER, IMF/IBRD OFFICIALS INDICATED TO GRB OFFICIALS THAT, IN ORDER TO HELP ONE OF POOREST OF THE UNDEVELOPED COUNTRIES, THEY WOULD BE WILLING TO BACK DOLS 10 MILLION (LATER RAISED TO DOLS 15 MILLION) LOAN IF THE GRB WOULD PROVIDE A LIST OF AGRICULTURAL AND INFRASTRUCTURE PROJECTS WHICH COULD BE UNDERTAKEN IN NEXT TWO YEARS. THE GRB SUBSEQUENTLY PROVIDED THE LIST AND HE THOUGHT IMF/IBRD HAD THEN COORDINATED WITH THE EDF TO FIND EUROPEAN AND OTHER GROUPS WILLING TO UNDERTAKE THEM. HE WAS NOT FULLY INFORMED, HOWEVER, OF CURRENT GRB ACTIONS LEADING TO SPECIFIC PROJECTS NOR AWARE OF THE DETAILS OF THE ACCORDS JUST SIGNED.

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6. THE NAME OF THE FINANCING INSTITUTION NAMED REFTEL, AND BY THE THREE ACCORDS SIGNED BETWEEN THE GRB AND EIC H RAISED A QUESTION. LOCAL BELGIAN OFFICIALS FEEL CERTAIN THAT THE INSTITUTIONS NAME SHOULD READ BANQUE DE PARIS ET DES PAYS BAS (BELGIQUE) ET CREDIT "LYONNAIS", WHEREAS THE GERMAN PLANNING TEAM CHIEF BELIEVES THAT SOME ARAB CAPITAL HAS BEEN SOLICITED, AND THA THEREFORE THE DOLS 15 MILLION FINANCING PROPOSITION IS INDEED A JOINT VENTURE BETWEEN THE BANQUE

DE PARIS ET DE PAYS BAS (BELGIQUE) AND CREDIT "LIBONAIS".
THE EMBASSY WOULD APPRECIATE CLARIFICATION OF NAME OF BANK.

7. ALTHOUGH ALL THE TRANSACTIONS INVOLVING THE THREE
ACCORDS SIGND BETWEEN THE GRB AND EIC, AND THE SOLICITATION
FOR THE DOLS 15 MILLION LOAN SEEM WELL ABOVE BOARD, THE
GRB IS PLAYING IT VERY CLOSED, TO EXTENT THAT
BURUNDI'S CENTRAL BANK'S SENIOR EUROPEAN ADVISOR STILL
HAS HEARD NOTHING FROM THE GRB ABOUT THE LOAN FOR WHICH
THE CENTRAL BANK WOULD BE RESPONSIBLE. AS ADDITIONAL INFORMATION
BECOMES AVAILABLE, AND/OR SOME OF THESE QUESTIONS
CLEAR UP (HOPEFULLY), THE EMBASSY WILL KEEP ADDRESSESS
INFORMED, AND LIKEWISE WOULD MUCH APPRECIATE RECEIVING
PERTINENT INFORMATION DEVELOPED ELSEWHERE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGRICULTURAL DEVELOPMENT, INDUSTRIAL DEVELOPMENT, EXPORT CREDIT GUARANTEES, JOINT VENTURES
Control Number: n/a
Copy: SINGLE
Draft Date: 24 DEC 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: buchant0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BUJUMB00895
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750447-0652
From: BUJUMBURA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751212/aaaaaklt.tel
Line Count: 130
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 BRUSSELS 11330
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 23 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 APR 2003 by MartinML>; APPROVED <09 DEC 2003 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROPOSED DOLS 15 MILLION LOAN TO BURUNDI
TAGS: EFIN, EINV, BY, BE
To: BRUSSELS
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006